

NHID E-NEWS

Issue 7
October 2005

COMMENTS FROM THE COMMISSIONER'S OFFICE

NH actions in the wake of the recent flooding

Most New Hampshire residents have heard the old adage about New Hampshire's weather. Well, we would like to add a twist; "If you don't like the weather, wait five minutes – and hope it isn't much nastier." And nastier is what we experienced recently with the flooding across the state.

The State was quick to respond to the disastrous flooding that occurred in October of 2005. And although the Insurance Department does not regulate flood insurance because it is a national program, we stepped in quickly to help educate the state's consumers to help guide them in efforts to seek the relief they needed.

Some of our efforts included issuing a press release entitled "What to do after a flood" the Monday after the weekend flooding, appearing on local news stations and as a guest on public radio, as well as speaking in general with reporters, both print and television, to try and get the word out to all New Hampshire residents who may have been affected by the flooding.

We also responded by quickly updating our website with postings and links to FEMA, NFIP and the NH Office of Emergency Planning. The documents included: "After the Flood: Tips from the National Flood Insurance Program," "Tips for Filing Your Flood Insurance Claims," "FEMA Flood Insurance Claims Handbook," "FEMA Summary of Coverage," "NFIP Myths and Facts," and "NFIP Participating Insurance Companies for NH."

The Department's efforts for information sharing and coordination of on-site consumer assistance included contacting and working with: the FEMA Boston regional office coordinator and Bureau and Statistical agent, the NH In-

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dependent Insurance Agents Association, the NH Office of Emergency Management.

Internally, we met with Department staff to develop a plan for providing information and referral services to the public. This included the creation of flood insurance packets of information for mailing to members of the public who contacted the Department for assistance.

We at the Department took on these tasks because we believe in our role as a consumer assistance provider. And while insurance is only one part of the preparation puzzle for these types of natural disasters, we hope that our education efforts will help New Hampshire consumers understand the precautions they can take to protect themselves, their families and businesses in the future.

NHID NAIC ACCREDITED

During mid-July an independent review team conducted an on-site visit to affirm the Department's compliance with NAIC financial examination standards and to certify the Department's 2004 NAIC accreditation. Subsequently, the Department filed their 2005 NAIC financial regulation standards and accreditation program interim annual review.

Accredited insurance departments undergo a comprehensive review every five years by an independent review team to ensure that they continue to meet baseline standards. Today, forty-nine states and the District of Columbia are accredited, providing a solid backbone of solvency surveillance.

NHID PARTNERSHIPS & AFFILIATIONS

Correction: In the July 2005 NHID E-News we provided a list of the partnerships and affiliations in which members of the Department participate. We should have included the CPCU (Chartered Professional Property Casualty Underwriters); and, we should not have included the NH Workers' Compensation Insurance Plan Board that was dissolved in April 2005.

COMMISSIONER SEVIGNY ISSUES ORDER CONCERNING THE NEW HAMPSHIRE MEDICAL MALPRACTICE INSURANCE MARKET

Commissioner Sevigny, after reviewing materials and testimony presented at a July 18th hearing, recently determined that there is substantial evidence in support of a conclusion that the medical malpractice insurance market for physicians, surgeons and hospitals is not a competitive market. The Order was issued on October 13, 2005 and will remain in effect for one year. During this time period any rate filing submitted by insurers covering physicians, surgeons or hospitals will require the Commissioner's approval before the insurer can begin using the new rates.

At the hearing, evidence concerning market concentration, rate change activity and financial results was presented. The NH medical malpractice insurance market is highly concentrated based on market share statistics. The top 4 insurers comprise 80% of the market, based on 2004 premium volume. This statistic exceeds the threshold of 75%, enumerated in NH RSA 401-B:3-a, used to define a "highly concentrated market". Another measure of market concentration, the Herfindahl-Hirschman Index, used by the U.S. Justice Department in determining the impact of mergers and acquisitions on competition, also shows that the NH market is highly concentrated.

The Order specified that insurers immediately begin to comply with rate filing procedures and standards applicable to a noncompetitive market, as outlined in RSA 412:15, 412:16 and 412:19.

NCCI WORKERS' COMPENSATION LOSS COST AND RATE FILING TO BE EFFECTIVE JANUARY 1, 2006

On September 6th, the Department received this year's advisory loss cost and assigned risk rate filing from the National Council on Compensation Insurance ("NCCI"). The filing, to be effective January 1, 2006, was made exclusively on behalf of all insurers writing Workers' Compensation insurance in NH, and is the first such filing in several years to propose a decrease in rate level. Proposed voluntary loss costs reflect a decrease of 3.9% from current voluntary loss costs that became effective January 1, 2005. Proposed assigned risk rates reflect a 5.4% decrease.

As has been the custom with similar filings in previous years, the Department conducted a public hearing on this filing on October 21st. It is expected that the Commissioner will issue a favorable decision within a couple of weeks. Specifics about the filing may be obtained by contacting Lorette Gendron, WC Policy Analyst, at 271-2261 or lorette.gendron@ins.nh.gov.

COMMISSIONER ESTABLISHES ADVISORY COMMITTEE FOR SB 125 TRANSITION

To facilitate the transition to the new small group market rating law, the Commissioner established an Advisory Committee consisting of Legislators, and industry representatives. Since September, the Advisory Committee has been meeting on a weekly or biweekly basis to address implementation of SB 125.

To date, the Advisory Committee has provided input to the Board of the Reinsurance

Mechanism in developing the family health statement and the guidelines for completion of the statement. In addition, the Advisory Committee has raised a number of questions that the Department has responded to and posted on its website under *Bulletins, Memoranda & Informational Notices* as "SB 125 - Frequently Asked Questions." The Advisory Committee has been instrumental in assisting the Department with its SB

125 producer and carrier training. At present, the Advisory Committee is working on developing minimum standards for rate disclosure to provide consumers with a better understanding of their rates.



NH SMALL EMPLOYER HEALTH REINSURANCE POOL ESTABLISHED

The volunteer Board of Directors of the New Hampshire Small Employer Health Reinsurance Pool established in 2005 Chapter 225 (SB 125) has worked diligently to comply with statutory obligations since the law became effective this past summer. The Board has completed its work on the following RSA 420-K provisions:

- * Developing four standard health benefit plans that shall be used by small employer health carriers ceding risks to adjudicate reinsurance claims.
- * Developing base reinsurance premiums and a rating methodology for the calculation of ceding premium rates.
- * Developing a plan of operation.

All of these items require the Commissioner's approval. To that end, the Commissioner convened a public hearing on September 21, 2005 that was continued to October 6, 2005, for which the record remained open until October 14, 2005. The Commissioner issued a decision on October 25th.

The Reinsurance Pool must be available to accept ceded risks beginning on January 1, 2006. An RFP for administrative services was prepared and issued by the Board, and the Board has awarded a contract.

The Department has provided access on its website for Pool communications and materials. In-

RULEMAKING – FALL 2005

The New Hampshire Insurance Department has completed or currently has the following rulemaking in progress. For additional information refer to the NHID Website: www.state.nh.us/insurance

Ins 1400 Automobile Insurance

A rulemaking proceeding to amend Ins 1402.04 and Ins 1405.12 recently began by the Department. The amendments are editorial changes designed to provide clarity to licensed carriers for the movement of an automobile insurance policy between companies in a group of affiliated companies and the application of safe driver incentive plan points. A public hearing was held on November 8, 2005.

Ins 1901 Minimum Standards for Accident and Health Insurance

This rule applies to all individual and group accident and sickness insurance policies and certificates delivered in this state. Although the provisions of this rule expired in 1999 and 2003, the Department has continued to apply those provisions to all filings made by licensees and does so via the statutory authority provided in provisions relating to accident and sickness insurance throughout Title XXXVII.

The provisions of this NAIC model rule are consistent with those of expired Ins 1901. A public hearing on 1901 was held on November 8, 2005.



Ins 1902 Minimum Standards for Medicare Supplement Policies Issued Prior to Adoption of Ins 1905

This rule establishes minimum standards for Medicare Supplement insurance policies that were issued prior to July 1, 1992. This rule expired in 1999. The public hearing on this rule was held on September 27, 2005.

Ins 1903 Medicare Supplement Insurance

This rule regulates Medicare Supplement insurance policies that were issued prior to July 1, 1992. This rule expired in 1999. The public hearing on this rule was held on September 27, 2005.

Ins 1904 Group Coordination of Benefits

Although this rule expired in 1999, the Department has continued to apply its provisions via the statutory authority provided in provisions relating to group coordination of benefits throughout Title XXXVII. This rule applies to all group or blanket insurance plans and establishes a uniform order of benefit determination under which plans pay claims. The provisions of this NAIC model rule are consistent with those of expired Ins 1904. The rule was adopted by the Department on July 29, 2005 and became effective on August 1, 2005.

Ins 1905 Minimum Standards for Medicare Supplement Policies

This rule implements federal provisions regulating Medicare Supplement policies and updates existing Ins 1905 in response to the federal passage of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. This rule was adopted by the Department on May 26, 2005 and became effective on September 8, 2005.

Cont....

RULEMAKING – FALL 2005

CONT.....

Ins 1907 Nondiscrimination in Health Insurance Coverage in the Group Market

This rule incorporates the requirements of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and federal regulations that prohibit carriers providing health insurance coverage under a group health benefit plan from discriminating against individual participants or beneficiaries in these plans with respect to eligibility and premium rates based on any health factor. A public hearing was held on November 8, 2005.

Ins 2400 Actuarial Opinion and Memorandum

Ins 2400 applies to all life insurance companies and fraternal benefit societies licensed in this state. It establishes the requirements for statements of actuarial opinion and memorandum regarding reserves that are required to be submitted pursuant to RSA 410. The rule was adopted on November 8th and becomes effective November 24, 2005.

2006 LEGISLATIVE PROPOSALS

The Department has introduced the following proposals for the 2006 Session:

A Life, Accident and Health bill:

- o Amending required life insurance policy contract provisions so that an endorsed application that is currently made part of the life contract is also applicable to individual annuity policies.
- o Amendments to group health insurance to delineate and clarify coverage continuation and termination provisions.
- o Requiring that a group health carrier file their grievance procedures with the Department annually.
- o Requiring health carriers to provide written appeal determinations to policyholders.

A Stop Loss Insurance bill that establishes the criteria for the issuance of stop loss insurance policies.

A Property and Casualty bill:

- o Amending RSA 400-A:36 and RSA 400-A:36-a so that insurer Annual Statements whether filed or transmitted are subject to the fees under RSA 400-A:29.
- o Amending RSA 401:1 VIII to provide some clarification of miscellaneous approved lines not covered by existing statutory lines.
- o Providing an exemption in the TPA licensing law for licensed insurers.
- o Clarifying that the standard fire policy provisions are the "base" provisions.
- o Amendments to RSA 412 Rate & Form Filing law regarding policyholder notification and correcting an incorrect cite reference.
- o Amending the Title Insurance law regarding commissions.
- o Amending the Unfair Trade Practices law to disallow refusal to insure because an insured will not place collateral personal insurances with one carrier.
- o Notification to an insured that auto coverage is available through the reinsurance facility.
- o Clarification to RSA 417-B that it is applicable to excess insurance.

SPEAKING OF INSURANCE

Engagements you may have missed.....

July 26th the NHAHU hosted Commissioner Sevigny and Health Policy Analyst Leslie Ludtke who spoke about changes to the small group health insurance market resulting from the passage of SB 125.

July 27th through the 29th, Commissioner Sevigny attended a NAIC Executive Committee Retreat in Chicago.

August 2nd, Kent Dover, Chief Market Conduct Examiner, was a panelist at the Annual Meeting of the Insurance Regulatory Examiners Society in Tampa. The topic "Just What is Market Analysis Anyway?"

August 24th, the Commissioner and Maureen Hartsmith, Life, Accident & Health Compliance Administrator attended a NAIC sponsored "Speed to Market" Summit in Atlanta.

September 8th, Commissioner Sevigny, David Withers, Property & Casualty Actuary, and Lorette Gendron, Workers' Compensation Analyst, attended the NCCI State Advisory Forum at the Grappone Center. The forum provided participants with an understanding of workers' compensation loss costs and rating methodologies.

September 13th, Mary Ellen Sasseville, Property & Casualty Consumer Services Officer attended and spoke at the Sea-coast Insurance Women's Annual Meeting to discuss "hot topics" from the consumers point of view.

September 15th, Maureen Hartsmith, Life, Accident & Health Compliance Administrator, was a SERFF discussion panelist at the Boston meeting of the Life and Health Compliance Association, LHCA, at the Omni Parker House.

September 16th, NHID Fraud Investigator, Clinton Lane, addressed the Liberty Mutual Commercial Claims Office on workers' compensation insurance fraud investigations and criminal prosecutions in NH. He also spoke about the adjuster's role in fraud prevention and detection as part of a fraud awareness training program sponsored by Liberty Mutual and New England Regional Special Investigators.

September 19th, Commissioner Sevigny met with NH Chamber Executive Committee Members to discuss purchasing alliances, how they work, what is necessary to form an alliance, possible benefits and drawbacks.

September 20th, the Commissioner attended a local CPCU Breakfast and addressed the group on matters pending at the Department.

September 27th, October 12th and October 24th, the NHID hosted a "SB 125 Broker Training Session" at the Brown Building Auditorium on the NH Hospital Grounds, Concord. A total of 202 producers attended the training sessions.

October 3rd, the Commissioner was the opening speaker at the Annual Meeting of the IIANH addressing a variety of matters of interest.

October 9th through the 12th, Nina Otterson, Licensing Division Clerk, attended the SILA Conference (Society of Insurance Licensing Administrators) in Grapevine, Texas. Ms. Otterson participated at the meeting as a member of the Northeast Regulator panel.

October 12th, the NHID presented an informational session for interested House and Senate Members regarding the rate filing review process. Commissioner Sevigny, Property & Casualty Actuary, David Withers, and Life, Accident & Health Actuary, David Sky, made this presentation at the Brown Building, NH Office Park South, Concord.

Throughout the months of August, September and October, NHID's Life, Accident and Health Actuary, David Sky, has attended meetings of the Deferred Compensation Board, the NH Health Plan Board, the Reinsurance Pool Board, and the SB 125 Advisory Committee.

October 15th, Commissioner of Health & Human Services, John Stephen, and Commissioner Sevigny conducted a CLE training session on the new Comprehensive Health Care Information System.

October 15th to the 18th, Deborah O'Loughlin, Legal Coordinator, attended the N.H. Guaranty Association Annual Meeting in Washington, D.C.

SPEAKING OF INSURANCE CONT.....

October 19th, Pauline Lamy and Barbara Anderson, LAH Consumer Services Staff, participated at the Hackett Hill Healthcare Health & Resource Fair, Hackett Hill Healthcare Center, Manchester.

October 19th to the 21st, David Sky, Life, Accident and Health Actuary, attended the NASCHIP Conference (association of state high risk pools).

October 21st, Consumer Division Director, Kathy Belanger, provided a training program for AG Office Consumer Protection Bureau volunteers on the complaints that should be referred to the NHID.

October 26th to the 28th, David Sky, Life, Accident and Health Actuary, attended the National Association of Managed Care Regulators Conference.

Throughout the months of September and October, Deputy Commissioner, Alex Feldvebel, traveled to Claremont, Manchester and Peterborough to address Chamber of Commerce meetings on the topic of SB 125.

November 9th, the Commissioner participated in a panel discussion on "Healthcare in New Hampshire" sponsored by *Business New Hampshire Magazine*. The forum was held at the Center of New Hampshire in Manchester.

November 10th, Commissioner Sevigny traveled to Phoenix to address the NCIGF on recent NAIC meeting activity as it relates to rehabilitations and liquidations.

November 12th, Kathy Belanger, Consumer Services Division Director served as a panel member on "Navigating the Cancer Experience" hosted by the Seacoast Cancer Center and Lymphoma and Leukemia Society of NH.

ENFORCEMENT—PRODUCER AND COMPANY ACTIONS

Re: Brown & Brown Metro Inc.

Consent Order and Agreement
Docket No. INS NO. 05-017-EP
failure to report an administrative
action taken by another jurisdiction
within 15 days of the final deposition.
Order and Agreement:
August 18, 2005
Action and Penalty: \$1000.00

Re: Dressander, Michael S.

Consent Order and Agreement
Docket No. INS NO. 05-028-EP
failure to report an administrative
action taken by another jurisdiction
within 15 days of the final deposition.
Order and Agreement:
August 11, 2005
Action and Penalty: \$1100.00

Re: Glotzbach, Anthony R.

Consent Order and Agreement
Docket No. INS NO. 05-018-EP
failure to report an administrative
action taken by another jurisdiction
within 15 days of the final deposition.

Order and Agreement:
July 6, 2005
Action and Penalty: \$600.00

Re: Kramer, Lee Reuel

Consent Order and Agreement
Docket No. INS NO. 05-019-EP
failure to report an administrative
action taken by another jurisdiction
within 15 days of the final deposition.
Order and Agreement:
August 11, 2005
Action and Penalty: \$500.00

Re: McCoy, William L.

Consent Order and Agreement
Docket No. INS NO. 05-024-EP
failure to report an administrative
action taken by another jurisdiction
within 15 days of the final deposition.
Action:
Producer voluntarily surrendered
NH license, effective July 18, 2005.

Re: Merwin, Jonathan T

Consent Order and Agreement
Docket No. INS NO. 05-029-EP

failure to make required disclosure
on license application of criminal
record/history. Order and Agreement:
August 8, 2005
Action: License issued on a probation-
ary status for a period of 365 days.

Re: Rocco, John A.

Consent Order and Agreement
Docket No. INS NO. 05-030-EP
failure to report an administrative
action taken by another jurisdiction
within 15 days of the final deposition.
Order and Agreement:
August 18, 2005
Action and Penalty: \$1500.00

Re: Stark, Racheal M.

Consent Order and Agreement
Docket No. INS NO. 05-013-EP
misstatement on license application
of criminal record/history.
Action: Producer voluntarily surrendered
NH license, effective August 3, 2005.

2005 COMPANY CHANGES

The following is a compendium of company changes.

COMPANY NAME CHANGES:

OLD NAME	NEW NAME	EFFECTIVE DATE
Fortis Insurance Co.	Time Insurance Co.	09/06/05
Fortis Benefits Ins. Co.	Union Security Ins. Co.	09/06/05

NEWLY LICENSED COMPANIES:

COMPANY NAME	TYPE OF LICENSE	EFFECTIVE DATE
Yosemite Insurance Co.	P&C	09/01/05
National Specialty Ins. Co.	P&C	09/20/05
Garrison Property & Casualty Ins. Co.	P&C	10/04/05
Merchants Bonding Company	P&C	09/30/05
North Pointe Insurance Company	P&C	09/30/05
Hartford Steam Boiler Inspection & Insurance Company of CT	P&C	09/30/05

AMENDED LICENSES:

COMPANY NAME	LINE OF BUSINESS ADDED OR REMOVED	EFFECTIVE DATE
Alliance Assurance Co. of America	Restriction added - Servicing existing bus. only	08/02/05
American Interstate Insurance Company	Restriction added - Servicing existing bus. only	06/30/05
Arbella Protection Insurance Company	Restriction added - Servicing existing bus. only	06/30/05
Auto Club Ins. Assoc.	Restriction added - Servicing existing bus. only	06/30/05
Coregis Insurance	Restriction added - Servicing existing bus. only	08/02/05
Omaha Property & Casualty Ins Co.	Restriction added - Servicing existing bus. only	08/02/05
The State Life Ins Co.	Re-org from a mutual ins co to a stock ins. co.	12/01/04

COMPANY CANCELLATIONS:

COMPANY NAME	EFFECTIVE DATE
Arbella Life & Health Insurance Co.	06/14/05
Oxford Health Insurance, Inc.	06/14/05
Inter-American Life Insurance Co.	07/03/03

COMPANY REDOMESTICATIONS:

COMPANY NAME	FROM & TO	EFFECTIVE DATE
National Grange Mutual Ins. Co.	NH to Florida	06/06/05
Main Street America Assurance Co.	NH to Florida	06/06/05

INTERSTATE COMPACT UPDATE

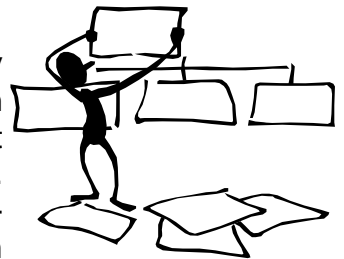
The passage of the Interstate Insurance Product Compact in 2004 made New Hampshire a member of a multi-state compact established to receive, review and quickly make regulatory decisions using national uniform standards on four insurance product lines — life, annuities, disability income and long-term care. To date, the Compact has adopted 34 standards. Seven additional standards are in the adoption process, and another 8 standards are in the development stage.

The compact will become operational when at least 30 states, or states representing 60% of the premium volume for life, annuities, disability income and long-term care insurance products, have become members. Currently 18 states have joined the compact, CO, HI, IA, ID, IN, KS, MD, ME, NC, NE, NH, RI, TX, UT, VA, VT, WA and WV for a premium volume of 22.2%.

Additional information and all of the standards are available through the NAIC web site at: http://www.naic.org/topics/topic_compact.htm

DEPARTMENT REORGANIZATION

Over the past six months, the Commissioner has spent time looking very closely at the Department's inner workings to determine whether we can make improvements in our effectiveness. We were happy to find that most of our Department functions were being handled efficiently and effectively. We did find, however, that there were ways we could be even more effective if we made some adjustments and tailored some of our currently open positions to meet the changing needs in evolving markets. We have decided to convert a number of vacant positions in order to obtain some specific new skills in the Department. We are achieving this by creating new positions and rewriting job descriptions to incorporate the skills necessary to keep ahead of today's changing environment.



Some of the additional specific skills we will be requiring are actuarial, specialized tax knowledge, litigation experience and market analysis. We believe the addition of individuals with these skills in addition to the quality and quantity of the skills already held by our current staff will put us in a position to be even more proactive in the regulatory arena for the benefit of New Hampshire's consumers.



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